

U1L
901-07-05
Internal Revenue Service

Department of the Treasury

Date: OCT 29 1997

Form: 990 & 990-T

Tax Period(s) Ended

In Reply Refer To

Person to Contact:

Contact Telephone Number:

Dear Sir or Madam:

We have completed the examination of your returns shown above. Our review of those returns indicated that you had member receipts from member use of your club's restaurant and beverage activities for individual and group activities. We also noted that you had non-member receipts from your club's restaurant and beverage activities. In addition, you reflect income from your member's use of other similar clubs on a reciprocal basis. The total income from your non-member activities and member use of other clubs was 24% of your receipts for the year. In addition, there was no record of the amount of income from non-members in your parties of eight or more which were billed to members.

Income tax Regulation 1.501(c)(7)-1(b) provides that a club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation and other non-profitable purposes, and is not exempt under section 501(a).

Revenue Procedure provides a 15% safehaven for non-member income if certain recordkeeping requirements are met. If non-member receipts exceed that 15% we look to the facts and circumstances to determine if the organization continues to qualify for exempt status.

Since you exceeded the 15% threshold and did not keep sufficient records to qualify for the safehaven we have determined that the has engaged in a trade or business by making its social facilities available to the general public. Accordingly, we have proposed revocation of your exempt status effective . You have agreed to this change by signing Form 6018, Consent to proposed Adverse Action.

As a taxable corporation, you are required to file Form 1120 as your corporate income tax return for periods beginning on or after

We have transferred the tax payments on your Form 990-T on the enclosed Form 4549 to be applied to your tax liability on the Form 1120 filed with this office to close the examination.

Thank you for your co-operation.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Ellen Murphy".

Ellen Murphy
Acting District Director